

Toward a Better Informed Patent System

Jay P. Kesan

University of Illinois College of Law

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Introduction–Criticisms of PTO Performance

- Invalid and overbroad patent rights granted
 - Different claims within the same patent – some valid, some invalid
- PTO cannot appreciate the import of the prior art, including cited prior art
 - Entire time spent in examination is what one associate spends in the first week of a litigation
- Need to enhance quality of issued patents
 - Others have made very similar remarks
 - The key question is *how?*
 - Get better information; not just more examination time

Nature of Relevant Prior Art

- All specialized knowledge is local – even within the same field
- Well-recognized concept
- In short, cannot assume the PTO will be well-informed about the relevant prior art for patentability. As a practical matter, not an issue of giving the PTO more resources.

Quality of Issued Patents Matters !

- The legal system defers to the examination process and sets up default rules
- Social costs of improvidently granted patents:
 - Encourages opportunistic licensing by creating “hold-up”
 - Encourages rent-seekers, such as financiers
 - Costs associated with supra-competitive pricing
 - Wasteful designing around activities
 - Disincentive to engage in downstream innovation
 - Prosecution and litigation costs from bad patents

Quality of Issued Patents Matters !

- Basic theoretical approach to eliminate/reduce social costs—set marginal investment in information gathering to be equal to the marginal reduction in social costs from getting better patents
- Improve efficiency of information gathering by getting better information from the folks who know the most—the patentee and her competitors

Getting Better Information from the Patentee

- Improve prior art disclosure rules
 - Meet the issue of patentability of claims as filed
 - Mandate it or create it as an incentive option
- Eliminate presumption of validity—gives away a valuable residual right and currently get very little in return

Getting Better Information from Third Parties

- Significant difference in cost between getting a patent and invalidating a patent
- Need a reasonable cost alternative (\$100-250K) to invalidation by costly litigation
- Current inter partes reexamination is very unattractive
- Need a pre-grant, opposition system

Getting Better Information from Third Parties--Opposition

- Need a pre-grant, opposition system
 - Get information to the examiner/PTO before committing to an outcome—cognitive dissonance
 - Private parties may wait for the PTO to do its job—publish the application 90 days after the first Office Action and publish it with a list of cited prior art
 - Delay and harassment fears should not be used to create a post-grant, opposition system
 - Germany & Japan have post-grant opposition systems—use decreasing and parties prefer the courts once the PTO has made a decision.
 - Make a clean break once the PTO has spoken; next, move to the courts

Litigation Reform—Fee Shifting Proposal

- Create disincentive for opportunistic patenting— increase the costs to the patentee of engaging in opportunistic patenting and enforcement by changing the range of outcomes for litigants
- One-way, pro-defendant fee shifting if patents revoked or invalidated based on prior art categories that could have been reasonably discovered by the patentee. Pay the PTO's patent examination costs and litigation costs.
- Encourages prior art search to make sure claims are valid
- On the margin, may encourage plaintiffs to settle but encourages defendants to litigate or oppose patents, if there is good prior art

Summary

- Relevant prior art is localized.
- Improve patent quality by getting better information from the patentee and from third parties.
- Go back to better disclosures. The presumption of validity trades away post-issuance, invalidation rights without any return benefit. Any change is an improvement from what we have.
- Create a pre-grant, inter partes opposition that relies on early publication.
- Create disincentives to engage in opportunistic patenting—One-way fee shifting can be employed to increase the cost borne by patentees if their patents are revoked or invalidated based on prior art that is reasonably discoverable.